



## Memo

**Date:** January 25, 2008

**To:** PATA Board of Directors

**From:** Paul Masson- Managing Director

**Cc:** Jack Olcott-Public Information Liaison, Robert Dunn-Government Liaison

**RE:** Reduction in member services and doubt that PATA can continue as going concern

**Summary:** The PATA co-management team has been notified by multiple members (see numbers below in Membership) of either non-renewal for 2008, delayed dues payments or delayed project launch payments. The collective membership reduction and delayed financial payments will have four impacts in 2008:

- **Reduce or eliminate DOT-FAA NextGen Planning input** for small aircraft use as personal versus recreational or business only transportation. PATA can no longer staff all the JPDO offered work teams.
- **Reduced revenue below minimum required** to continue providing the four (4) services currently committed to remaining membership. We do not have the revenue to retain the contracted office, staff and virtual systems.
- **Inability to publicly communicate industry-driven, SATS vision** to stakeholders for multiple business models using small aircraft necessary for adoption of the transportation model. We do not have the revenue to pay the public media or position contracts solicited in 2007.
- **Inability to continue as "going concern"** as an unincorporated, industry technology driven, business model innovation group (innovation alliance). The PATA administrator (StarNet, LLC) is running a deficit (loss) on an accrual accounting basis due to write-offs for non-payment for project launches.

The collective impacts have created a disagreement among the management team as to the next action steps to be undertaken in 2008.

### Information re Membership Changes and Disputes

I have information on five (5) reasons that have created the collective change for the 2008 program year:

- **Membership Non-Renewal, Potential New Members Not Joining Switching to Air Taxi Association Offering of Free Membership for Matching Services-** Membership fell from seventeen (17) members in 2007 to eight (8) members in 2008. Large corporates (Cessna, L3, GE Honda) are not renewing because their goals have been achieved and eight (8) current and potential members (e.g SATS Air) are not going to renew or have chosen to join a the Air Taxi Association (ATXA) which is offering the same or similar services without paying membership dues. ATXA has sent email offers to current PATA member representatives making the offer and referenced proprietary information from PATA's internal business plan. (Appendix A: Compare PATA to ATXA)

- **DayJet Non-Payment Project Startup Fees-** DayJet via Bruce Holmes has notified the PATA administrator, (StarNet, LLC) that DayJet will not pay the initial \$12.5K costs incurred for startup of a PATA sponsored working group focused on the business model being built in the partnership between DayJet and Eclipse Aviation. The total project costs quoted were \$25K, of which PATA via StarNet, LLC has expended \$12.5 K to date.
- **NA Jet (Ken Ross) \$9K Member Dues Indefinitely Delay, Disputing Late Interest and Fees-** The North American Jet controller has notified the PATA administrator (StarNet- Jason Knight and Paul Masson) that the Principal member payment of \$9K will not be paid until further approval by Ken Ross. The controller is also disputing the late interest charges under the Uniform Commercial Code (UCC).
- **Disputes Regarding Disclosures to Industry Investors-** PATA has been facilitating or hosting meetings between investors, startups and their suppliers as a member service. Two members have reported under the PATA-StarNet-Member NDA that at least two and up to four PATA member startup companies have incorrectly reported technical and flight operational performance results relative to milestones presented to investors as proof of progress. Two members also reported DayJet's public report of revenue flights that were recorded instead at Florida airports as operational test flights with no revenue passengers via counting tail numbers and matching them to reports at the FBO. One member reported incomplete and incorrect Eclipse Aviation reports of flight test achievements linked to milestones tied to investment funds release. The informal industry knowledge of the difference between reported vs actual results reduces PATA member ability to secure funding. The industry integrity of meetings between investors and PATA members is previously stated as a "high value" from PATA membership.

#### **Positions and Actions**

This is a summary of my position with optional actions based on the current changes and discussions with the other co-managers.

#### **Positions**

**PATA Member Position: No Payment Means No Membership or No Projects-** I will proceed to notify the companies that have stated they are "delaying payment" that either their membership will be terminated (NA Jet) or their project(s) terminated (DayJet).

**ATXA Disclosure Position: False Disclosure for Restraint of Trade, Subject to Penalties-** I will notify Joe Leader that his representations about PATA constitute restraint of trade by incomplete and false disclosure using proprietary information, and both he personally and the ATXA Board are subject to damage claims. I will tell him the minimum amount of damages is the lost revenue from the eight (8) companies switching or decline PATA membership due to his representations: \$28K

#### **Actions**

**Continue Management and Administration Through April to Member Meeting-** I will continue to provide the services committed in the PATA Membership agreement through to the April general membership meeting. I'll provide a summary of the current PATA membership and going concern capacity to solicit a group decision. I'll continue if there is agreement to make payments and correct representations to members. If there is insufficient agreement to make payments and correct representations, then I'll arrange for a handoff of documentation to the other co-managers and wind down the legal and operational support systems.



## Comparison: PATA to ATXA

### Background: PATA vs. ATXA

PATA was formed by group decision of private companies at the EAA Airshow in 2005. The Air Taxi Association was formed by Joe Leader to supply, transportation booking and industry advocacy corporations. Joe stated he received advice from Traver Gruen Kennedy to launch his company as an industry association rather than a booking service. The name and legal form changed from June 2007 (Air Taxi Association)<sup>1</sup> to October 2007 (Air Taxi Association, LLC)<sup>2</sup> and finally January 2008 (Air Taxi Association, America, Inc.)<sup>3</sup>

### Purpose:

#### **PATA**

Vision: An alliance composed of aviation industry leaders established for the protection, safety, enhancement of the public air transportation.

Mission: To identify, articulate, and promote those concepts, technologies and processes that facilitate frequent and safe air-taxi transportation from every runway.

Objectives: The objectives of the PATA Alliance are to:

- Pool knowledge and support research and development of technologies and processes that will provide value to the air-taxi industry, a basis for an emerging small aircraft transportation system.
- Create public understanding and acceptance of the value, safety, and use of air-taxis as a reflection of a new small aircraft based transportation system
- Facilitate the air-taxi system deployment by the establishment of links between new aircraft, expanded small airports, and new air traffic systems concepts and technologies

#### **ATXA**

Mission: Advocate adoption of air transportation based on use of very light jets in the US, Europe and the Middle East

Objectives: Promote adoption of very light jets for personal air transportation by increasing passenger commitments and origination through networked, booking and matching software licensed by member companies and utilized with booking agents. ATXA corporate objectives to generate profit and advocate industry growth.<sup>4</sup>

### Legal Type:

- PATA- Unincorporated, non-profit, industry association (501-c-6)
- ATXA- Limited Liability Company<sup>5</sup>

### Ownership

- **PATA-** Not applicable
- **ATXA-** Privately owned, Joseph Leader

### Governance: Membership Leadership

- **PATA- Governing Board of Directors-** Elected from membership, govern PATA Chairman, Kenneth Ross, NA Jet, Vice Chairman, Michael Baur, PogoJet
- **ATXA- Advisory Board-** Elected among members to advise ATXA on investments and industry promotion Chairman, Bruce Holmes, DayJet Corporation

<sup>1</sup> <https://www.bizapedia.com/trademarks/airtaxi-76678137.html>

<sup>2</sup> <https://www.bizapedia.com/ga/air-taxi-association-llc.html>

<sup>3</sup> <https://www.bizapedia.com/ga/air-taxi-association-americas-inc.html>

<sup>4</sup> Interview with Joe Leader, Air Taxi event, Aspen Institute, June, 2007

<sup>5</sup> <https://www.bizapedia.com/trademarks/airtaxi-76678137.html>

## **Outputs**

- **PATA-** Research and position papers on nine (9) topics for adoption by small aircraft, primarily VLJ based, fleet operations and advocacy to the Joint Planning and Development Office (JPDO)
- **ATXA-** Multiple operational and advocacy outputs
  - Shared flight booking systems with supporting software and interfaces for use by members
  - Organization and advocacy of air taxi via VLJ adoption in Europe
  - Organization and advocacy of air taxi via VLJ in Middle East
  - Operating profit for ATXA<sup>6</sup>

## **Overlaps:** The two organizations jointly

- Advocate personal air transportation by adoption of very light jets for air charter and air taxi
- Contain the same companies with the largest financed orders for very light jets and preliminary filings for flight authorization

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<sup>6</sup> Interview with Bruce Holmes, DayJet, December 2007